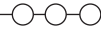
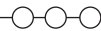


PROPOSED SEWER RATE REFINEMENT



The City of Chula Vista is proposing to increase the Sewer Service Charge. The proposed increase would result in an overall increase of 7.5% in revenue requirement, which is less than the 9% increase currently set to go into effect in July 2005, under the four-year plan adopted by Council in July 2003. City staff supports the change and has scheduled the July 12 hearing to receive public input.

● ● ● PROPOSED 5-YEAR RATE CASE					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
FIXED SERVICE CHARGE (\$ PER MONTH) *					
5/8"	\$8.47	\$8.47	\$9.00	\$9.25	\$9.75
3/4"	\$8.47	\$8.47	\$9.00	\$14.59	\$9.75
1"	\$12.34	\$12.34	\$13.22	\$13.64	\$14.47
1 1/2"	\$22.00	\$22.00	\$23.77	\$24.60	\$26.27
2"	\$33.60	\$33.60	\$36.43	\$37.76	\$40.43
3"	\$60.67	\$60.67	\$65.97	\$68.47	\$73.47
4"	\$99.34	\$99.34	\$108.17	\$112.34	\$120.67
6"	\$196.00	\$196.00	\$213.67	\$222.00	\$238.67
8"	\$312.00	\$312.00	\$340.27	\$353.60	\$380.27
VARIABLE COMMODITY RATES (\$/HCF)					
Residential	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Single Family	\$2.16	\$2.36	\$2.53	\$2.62	\$2.70
Multi-Family	\$2.16	\$2.36	\$2.34	\$2.62	\$2.70
Mobile Homes	\$2.16	\$2.36	\$2.34	\$2.62	\$2.70
Commercial					
Low Strength	\$2.16	\$2.36	\$2.53	\$2.62	\$2.70
Medium Strength	\$3.00	\$3.22	\$3.38	\$3.47	\$3.55
High Strength	\$4.71	\$4.94	\$5.12	\$5.23	\$5.33
* All single family users are considered to have a 5/8" water meter for service charge purposes. Multi-family, mobile home and commercial user service charges are based on actual water meter size.					
** Special user rates are determined on an individual basis.					



FOR MORE INFORMATION

Visit the City's Website at www.ci.chula-vista.ca.us
OR call (619) 397-6131.

Your questions and comments are appreciated.

Para asistencia en Español ó si tiene preguntas, por
favor hable con Luis Pelayo al (619) 397-6093.



Engineering Department
276 Fourth Avenue
Chula Vista, CA 91910

Public Hearing Notice

Proposed Sewer Rate Increase

Tuesday, July 12, 2005
6 pm
City Council Chambers
276 Fourth Avenue, Chula Vista

The public is invited to attend a public
hearing to comment on the changes
proposed in this mailer.





Engineering Department
276 Fourth Avenue
Chula Vista, CA 91910



THE SEWER SYSTEM

The City of Chula Vista along with 14 other participating agencies belongs to the Metropolitan Wastewater District (Metro). The wastewater generated in the City of Chula Vista is collected and conveyed through the City's extensive sewer collection system to a treatment facility in Point Loma. Chula Vista's system includes 13 pump stations and over 400 miles of sewer pipes.

SERVICE CHARGE

The sewer service charge was established by the City Council in 1962 to pay for the operation and maintenance of the sewer collection system and sewage treatment. All property owners connected to the City's sewer system pay the service charge.

CURRENT RATES

In 2003, the City adopted a four-year rate plan and changed the billing method for single-family residential users from a flat-fee method to a consumption-based method. The consumption-based method is based on the customer's water usage during the winter period (from November through April) when most customers turn off their sprinklers and irrigation is at a yearly low, reflecting mostly domestic water usage.

For single-family customers, this monthly charge is based on an average of their two lowest consecutive months within the defined period, and remains the same for the entire year.

Water consumption is measured in Hundreds of Cubic Feet (HCF). One HCF equals 748 gallons. Currently, the "Average Single-Family User" in Chula Vista uses 10 HCF and pays \$27.10 monthly. A reduced rate (70% of the regular rate) is available to low-income users, who meet the eligibility requirements as defined by the Housing and Urban Development (HUD). The charge for multi-family dwelling units (i.e., apartments,

condos, town homes or any units not detached) is also based on water consumption.

Commercial customers are billed for sewer service based on water consumption and also on the strength of the sewage they generate --low, medium or high.

CURRENT RATE STRUCTURE

Under the current structure, the Sewer Service Charge is divided into two components: a fixed service charge and a variable commodity (water usage) charge. Together, these two components comprise the customer's total Sewer Service Charge.

Fixed Service Charge – This charge applies to all users including residential, commercial & industrial, and institutional users. Based on meter size, the charge allows the City to break out and recover the fixed costs of service that the City incurs irrespective of the amount of flow that goes through the system (e.g., billing and administrative costs, certain portions of the maintenance costs and debt service).

It is estimated that the proposed fixed service charge will generate 16% of the annual revenue requirement and is comparable to those adopted by other agencies in Southern California with similar rate structures.

Commodity Charge – This charge varies and is dependent on the amount of water used.

THE NEED FOR REFINEMENT

The proposed rate refinement would address four very important issues:

Sewer Facilities Replacement Fee Adjustment

The monthly sewer service charge is made up of three fees: The Sewer Service Fee, The Sewer Facilities Replacement fee and the Storm Drain Fee. The sewer facilities replacement fee was established in 1987 and is used to fund the rehabilitation and replacement of old and deteriorating sewer facilities. Based on an analysis conducted as part of the City's Wastewater Master Plan update, it is recommended that the fee be amended as follows: for single-family residential users the fee will be increased from \$0.70 to \$1.97 monthly; and for multi-family/non-residential users the fee will be increased from \$0.06 to \$0.11 per HCF. This fee increase is needed to ensure that the appropriate amount of sewer rehabilitation is done to prevent future costly replacements.

Billable Flows – ("Winter Usage Cap")

Under the current rate structure, single-family residential customers are billed up to a maximum amount of 15 HCF ("Cap"). Any amount beyond this is not billed. In a recent analysis, it was determined that with a billing cap of 15 Hundred Cubic Feet (HCF) of water per month, which was set to avoid potentially charging high flows, wastewater flows to the treatment plant exceeded billable flows. The result is that the City currently incurs costs to treat more flow than it bills. To remedy this discrepancy, a further analysis determined that the billing cap needed to be raised to 20 HCF per month to achieve mass balance (i.e. amount billed equals amount sent for treatment). This action will to some extent ensure that those that generate a significant amount of sewage are billed for the flows they generate. The revenues generated from the additional billable flow, will be used to lessen the overall rate impact to this user class, hence resulting in lower annual increases than what was previously adopted.

An Equitable Fee Structure: Cost Allocation Refinement

A component of the revised revenue plan includes refinements to the cost allocation amongst the various user classes based on strength and quantity of flow discharged. Every user class is required to pay a rate that is equivalent to their cost of service (their burden on the system). Through this update, the existing cost allocation will be refined and there will be an increase in the cost of service to the commercial user classes, and a decrease to the residential users to better match their burden on the system. The proposed refinements will address this issue and result in a more equitable rate structure.

Financial Stability

The City requires an adequate level of revenue from the sewer rates to properly operate and maintain the system. This cost currently represents approximately 31% of the City's expenditures. In addition, the City also needs sufficient revenue to make current and future payments to the City of San Diego for use of the Metro wastewater treatment system, which treats all of the sewage Chula Vista generates. The costs to provide these services represent approximately 64% of the fund annual expenditure.